



OFFICE OF THE
CITY AUDITOR

**AN AUDIT OF THE CITY
PARKING OPERATIONS**

A REPORT TO THE
SAN JOSE
CITY COUNCIL
JUNE 1986

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EXECUTIVE SUMMARY

In accordance with the City Auditor's approved 1985-86 Workplan, we have completed an audit of the City's Parking Operations. Our audit included the City's on-street metered parking and off-street parking (parking lots and garages). The Airport's parking facilities are a separate organization and are not included in this audit.

Our review of the City's metered parking revealed a pervasive absence of adequate controls which makes parking revenues susceptible to undetected misappropriation. In view of the inadequacy of internal controls, we expanded our tests of Parking Operations to include an elaborate check on parking meter collections. Our test of parking meter collections indicated a small loss of revenues occurred. Further, assuming our test results are representative of weekly parking meter collections, our observed loss would approximate \$14,000 per year. It should be noted that our test of parking meter collections does not prove conclusively that revenue losses are in fact occurring. In addition, our test was not designed to specifically identify the source of any observed revenue losses. Given the absence of adequate internal controls, any number of activities including vandalism, theft or defalcation could be causative. In our opinion, when our test results are coupled with the observed lack of internal controls, the need to take appropriate remedial action is clearly indicated.

Our review also indicated that the current parking meter zones are not in consonance with the Municipal Code. Specifically, some designated parking meter zones do not have parking meters. We estimate that if as few as 100 parking meters were installed in these zones, the City could collect an additional \$52,000 per year in parking meter revenues.

Our review of the City's off-street parking revealed that internal controls over revenues are insufficient because of non-existent or malfunctioning equipment and inadequate ticket accounting procedures. Non-existent or unreliable equipment has resulted in reliance on parking attendants' handwritten notations to account for customers' parking time and fees. This situation has existed since at least 1983.

Our review also disclosed inadequate City contract monitoring of the contract with the operator of the garages and lots. As a result, significant contract noncompliances for the operation and maintenance of the City's parking facilities are occurring without City detection or corrective action being taken. Observed noncompliances have resulted in failure to 1) account for parking tickets; 2) account for City-owned equipment; and 3) prove that required insurances are in place.

Finally, our review disclosed that the transfers of two parking lots to the San Jose Redevelopment Agency were not recorded in the Parking System's accounting records.

RECOMMENDATIONS:

We recommend:

Recommendation #1:

Finance Department-Parking Operations institute a program to systematically replace parking meter equipment so that:

- a) the meter housing is resistant to vandalism and theft; and
- b) the collection system does not give the collector direct access to the coins. (Priority 2)

Recommendation #2:

Finance Department-Parking Operations revise the parking meter collection and maintenance procedures so that:

- a) two collectors collect together, each emptying alternating meters;
- b) the collectors log out parking meter keys before the collections and log them back immediately after; and

- c) a non-collector performs parking meter key custodian duties. (Priority 2)

Recommendation #3:

Finance Department-Parking Operations maintain a record of daily parking meter collections by collector as well as by route. (Priority 2)

Recommendation #4:

Finance Department-Parking Operations calculate average daily collections per meter for each route and collector and investigate any deviations from an acceptable range.
(Priority 2)

Recommendation #5:

Finance Department-Parking Operations account for and destroy all worn-out parking meter keys. (Priority 2)

Recommendation #6:

Finance Department-Parking Operations maintain a record of the acquisition, usage, and destruction of each parking meter key. (Priority 2)

Recommendation #7:

Finance Department-Parking Operations include uninstalled parking meters in the parking meter inventory and maintenance records and procedures. (Priority 2)

Recommendation #8:

Finance Department-Parking Operations make arrangements with the depository bank so that the bank staff verifies that all the metal canisters used by the collectors are emptied when the collectors deliver the parking meter revenues to the bank. (Priority 2)

Recommendation #9:

Finance Department-Parking Operations:

- 1) conduct a physical inventory of installed parking meters;
- 2) update inventory records of installed parking meters; and
- 3) establish written procedures to conduct at least an annual physical inventory of installed parking meters. (Priority 2)

Recommendation #10:

Finance Department-Parking Operations:

- 1) review and update the parking meter collection maps;
and
- 2) establish written procedures to verify at least
annually the accuracy of parking meter collection
maps. (Priority 2)

Recommendation #11:

Finance Department-Parking Operations, in conjunction with the City Attorney's Office, prepare the necessary ordinance for Council consideration to revise the Municipal Code so that the parking meter rates in each parking meter zone and the rates specified in the Municipal Code agree. (Priority 2)

Recommendation #12:

Traffic Operations, in conjunction with the City Attorney's Office, prepare the necessary ordinance for Council consideration to update the Municipal Code listing of parking meter zones. (Priority 2)

Recommendation #13:

Traffic Operations evaluate the need for parking meters in designated parking meter zones that currently do not have parking meters and install meters where appropriate.
(Priority 1)

Recommendation #14:

Finance Department-Parking Operations install the necessary ticket control equipment to ensure mechanical validation of parking tickets. As a minimum, tamper proof printing time clocks should be provided to each parking facility so that each customer's entry and exit times are imprinted rather than handwritten. (Priority 2)

Recommendation #15:

Finance Department-Parking Operations require AMPCO to use an Equipment Malfunction Report Form showing a description of any equipment damage or malfunction, as well as the repair person, repair completion date, and time to make the repair. (Priority 2)

Recommendation #16:

Finance Department-Parking Operations control tickets issued to AMPCO by:

- a) maintaining a ticket control log showing tickets issued to AMPCO and tickets returned by AMPCO;
 - b) at least semi-annually comparing the ticket control log to a physical inventory of unused tickets.
- (Priority 2)

Recommendation #17:

Finance Department-Parking Operations and AMPCO account for and destroy all obsolete tickets. (Priority 3)

Recommendation #18:

Finance Department-Parking Operations establish control over City equipment used by Parking Operations and AMPCO (both at the Parking Administration Office and the parking sites) by:

- a) determining what property AMPCO should have;
 - b) updating and maintaining the Finance Department's portion of the City-wide fixed asset listing which apply to Parking Operations;
 - c) maintaining inventory records of equipment items costing between \$100 and \$500 to supplement the Finance Department's listing of equipment costing \$500 or more;
 - d) obtaining a list of equipment signed by AMPCO indicating specific City property for which AMPCO has accepted responsibility for custodianship; and
 - e) conducting physical inventories of such equipment at least annually and upon termination of the contract.
- (Priority 2)

Recommendation #19:

Finance Department-Parking Operations require AMPCO to use a requisition form, upon which the City's Parking Operations should indicate whether the City is to: a) do the work or supply the equipment, b) award the contract to others or c), allow AMPCO to directly obtain the service or merchandise. (Priority 2)

Recommendation #20:

Finance Department-Parking Operations follow established City procedures for the procurement of general services for the parking facilities. (Priority 1)

Recommendation #21:

Finance Department-Parking Operations formally amend the contract between the City and AMPCO for: a) the change in revenue deposit procedures; b) the amounts to be charged, the conditions for refund, and the administrative procedure for the returned check handling fees and the parking permit deposits; c) the authorization for the actual two maintenance workers instead of the one specified in contract Section 28; d) the

daily ticket count shortages for each lot; and e) any additions or deletions to the list of parking sites to be operated and maintained by the contractor. (Priority 2)

Recommendation #22:

Finance Department-Parking Operations review at least monthly the special bank account (including the monthly reconciliation thereof) for City parking revenues which is in AMPCO's name, and document such review. (Priority 2)

Recommendation #23:

Finance Department-Parking Operations require AMPCO to deposit revenues from parking lots and garages in a bank account in the City's name. (Priority 2)

Recommendation #24:

Finance Department-Parking Operations require AMPCO to remit to the City the receipts from handling fees for customer checks returned by the bank. (Priority 2)

Recommendation #25:

Finance Department-Parking Operations review at least semi-annually the permit deposits and returned checks handling fees held by AMPCO. (Priority 2)

Recommendation #26:

Finance Department-Parking Operations require AMPCO to cancel deposit refund checks that are 180 days or older and remit the amounts to the City. (Priority 2)

Recommendation #27:

Finance Department-Parking Operations bill AMPCO for gross amounts of discrepancies in ticket value unless explanations are supplied for offsets. (Priority 2)

Recommendation #28:

Finance Department-Parking Operations:

- a) discontinue the use of ticket shortage allowances and require AMPCO to explain all daily ticket shortages;

- b) bill AMPCO for all unaccounted tickets; and
- c) maintain a record of shortages and explanation for such shortages. (Priority 2)

Recommendation #29:

Finance Department-Risk Manager monitor the contract with AMPCO to ensure that all insurances and proofs of insurances required by the contract are current. (Priority 2)

Recommendation #30:

Finance Department-Parking Operations: a) request from Parking Products, Inc. a copy of the insurance policy for which the City paid \$135 per month; and b) ascertain that the insurance coverage was necessary and in accordance with the Parking Products, Inc. equipment service contract. (Priority 2)

Recommendation #31:

Finance Department-Risk Manager ascertain that all insurance requirements of the contract between the City and AMPCO are met by the contractor before sending the letter of approval to the City Clerk and the Department. (Priority 2)

Recommendation #32:

Finance Department make entries in the Parking System accounts to record the transfer of Parking Lot Numbers 16 and 17 to the Redevelopment Agency. (Priority 2)

BACKGROUND

The City of San Jose's Parking System includes the City's on-street metered parking and off-street parking (parking lots and garages). The Parking Authority is a related legal entity which was established to issue and administer the debt service on bonds used to finance the construction of certain parking garages. During Fiscal Year 1984-85, the Parking System's reported gross revenues were \$3,152,000, of which \$886,000 came from parking meters and \$2,266,000 from parking lots and garages. The Parking System's revenues are used to 1) pay the principal and interest on revenue bonds (see Attachments A thru C) and 2) operate and maintain the City's parking meters, lots, and garages. Any funds not used for the maintenance and operation of the City's parking meters, lots, and garages may be used for general City purposes. On June 30, 1985, the Parking System had excess funds of approximately \$5,000,000 which the City committed to the Market Street garage expansion.

The Finance Department's Parking Operations is responsible for collecting parking meter revenues and for maintaining the parking meters. Parking Operations also oversees the City's contract with AMPCO Auto Parks. Under the contract, AMPCO maintains and operates the City's six parking lots and three garages (see Attachment D). The current contract term is from January 1, 1984 to December 31, 1986.

AUDIT SCOPE

Our audit of the San Jose Parking System included:

- 1) A review of controls over parking meter operations and the operation of parking lots and garages.
- 2) A review to determine compliance with the Agreement between the City of San Jose and ABMI (dba AMPCO Auto Parks, Inc) for the maintenance and operation of the City's off-street parking facilities.
- 3) A review to determine compliance with Municipal Code provisions dealing with San Jose metered parking.
- 4) A test of parking meter collections using marked coins.

Our review did not include the City's Airport parking facilities which are a part of a separate organizational entity.

FINDING I

*INTERNAL CONTROLS OVER PARKING METER
OPERATIONS ARE EITHER NON-EXISTENT OR
NOT FUNCTIONING AS INTENDED*

Our review of parking meter operations revealed a pervasive absence of adequate internal controls which makes parking revenues susceptible to undetected misappropriation. In view of the inadequacy of internal controls, we expanded our tests of Parking Operations to include an elaborate check on parking meter collections. Our test of parking meter collections indicated a small loss of revenues occurred. Further, assuming our test results are representative of weekly parking meter collections, our observed loss would approximate \$14,000 per year. It should be noted that our test of parking meter collections does not prove conclusively that revenue losses are occurring. In addition, our test was not designed to specifically identify the source of any observed revenue losses. Given the absence of adequate internal controls any number of activities including vandalism, theft or defalcation could be causative. In our opinion, when our test results are coupled with the observed lack of internal controls, the need to take appropriate remedial action is clearly indicated.

Our review of Parking Operations revealed that internal controls over parking meter operations are either non-existent or not functioning as intended. Specifically, we identified that:

- o Parking Operations uses outmoded parking meter equipment that is not resistant to vandalism or theft.
- o Parking Operations uses an open coin box collection system that provides inadequate protection against revenue loss.
- o Parking meter collections are not adequately supervised, monitored or controlled.
- o A Parking Operations internal control procedure designed to highlight unusual revenue fluctuations is not being effectively implemented.
- o Parking Operations does not maintain adequate effective control over parking meter keys.
- o Parking Operations does not maintain adequate control over uninstalled parking meters.
- o Parking Operations inventory of installed parking meters is incomplete and inaccurate.
- o Parking Operations parking meter collection maps are incomplete and inaccurate.

Outmoded Equipment

The City has approximately 2,200 parking meter housings of which approximately 1,600 are installed and 600 in storage. Most of these meter housings were purchased between 1955 and 1975. The last major acquisition was in 1975, when 575 meters were purchased second-hand from the City of Salinas. A representative of the manufacturer of the City's meters confirmed that the bulk of the City's equipment was of an old model which is no longer in production. According to the manufacturer's current representative, the housing material used in the City's equipment, as compared to that used in current models, is not theft or vandalism-resistant. Furthermore, according to the manufacturer's representative, most of the City's equipment will not accommodate the improved coin collection system discussed below. Consequently, the City's meters 1) are an attractive target for theft, vandalism and defalcation and 2) preclude the use of a better coin collection security system.

Open Coin Box Collection System

Parking Operations uses the open coin box collection system. This and two other collection systems are described in Attachments E thru G. According to a representative of the parking meter manufacturer who has supplied the City's current

parking meters, the open coin box system provides the least protection against revenue loss. The opportunity to misappropriate funds arises when the collector manually transfers the parking meter coins from the meter's coin box to the collection cart. Additionally, if only a portion of the open box's contents is taken, Parking Operations may not detect such limited loss. In contrast, a system, such as the sealed box (described in Attachment E), is more difficult to penetrate and to subsequently conceal any misappropriation.

*Collections Not Adequately
Supervised, Monitored or Controlled*

Parking meter collections are not adequately supervised, monitored or controlled because:

- a) the collectors are not supervised or observed while making collections, and
- b) the depository bank does not verify that all collection boxes available are delivered.

In collecting parking meter revenues, each collector performs his assigned collections alone. As a result of this practice and the use of the open coin box collection system described in Attachment F, limited misappropriations would

probably go undetected by anyone from Parking Operations. In our opinion, a more controlled procedure would be to assign two collectors to make the collections together, with each emptying alternating meters.

After they have completed their routes, the collectors deliver the locked, metal canisters containing the day's collections to the depository bank. A bank employee gives the keys to the canisters to the collectors, who unlock the canisters and transfer the coins into coin bags. Except when they are at the bank, the collectors do not have keys to the locked metal canisters. However, it is still possible to gain access to the contents of the canisters. For example, by using a vacuum cleaner, the coins could be removed through the coin chute. Further, the depository bank does not account for all of the available metal canisters. The bank staff checks only those metal canisters that the collectors bring to the bank. A collector could, therefore, withhold one or more metal canisters containing collections without the bank's knowledge or detection.

*Revenue Control Procedure
Not Effectively Implemented*

A Parking Operations internal control procedure designed to highlight unusual revenue fluctuations is not being effectively implemented. Parking Operations maintains a record of weekly parking meter revenues and monitors the daily average

collection per meter on the theory that unexplained fluctuations will indicate possible misappropriation. Except for noting the occurrence of holidays, however, Parking Operations' records do not attempt to explain any other fluctuations. Furthermore, the daily records are kept by route and not by collector. Therefore, unexplained fluctuations cannot be readily identified or traced to individual collectors. Finally, as explained below, the installed meter inventory records and collection maps, which are used for the daily parking meter revenue records, are inaccurate or not current. Therefore, daily average collections computations are by definition inexact since they are based on meter counts different from the actual meters in use.

Because explanation for variance causes other than holidays is not attempted, it is unlikely that the current record of daily parking meter collections will reveal any limited revenue loss. In our opinion, Parking Operations should carefully analyze the record of daily parking meter revenues to derive the maximum benefit from such a record. A useful practice would be for Parking Operations to calculate average daily collections per meter for each route and collector and to explain any deviations from an acceptable range.

Parking Meter Keys Not Controlled

Parking Operations does not maintain effective control over parking meter keys. Specifically, Parking Operations does not keep a listing of parking meter keys. Therefore, Parking Operations cannot account for all the parking meter keys. In addition, the key custodian collects parking meter revenues. Thus, there is no independent verification that the keys used by this person are returned after the collection hours. Finally, Parking Operations has not disposed of worn-out parking meter keys. We counted 30 worn-out keys kept in a desk drawer of the Parking Coordinator. Although worn-out, audit staff verified that some of these keys can still unlock parking meters and as such are susceptible to misuse.

As a result, revenue losses may be occurring because of unauthorized uses of parking meter keys. In our opinion, to assure the City that parking meter keys are used only for authorized purposes, Parking Operations should assign an employee with no collection responsibility to maintain custody over parking meter keys. The key custodian should check out keys before collections are made and receive the keys back into custody afterwards. Additionally, Parking Operations should maintain a historical record of the acquisition, usage and distribution of each parking meter key as a means to improve security over collections.

Inadequate Control Over
Uninstalled Parking Meters

Although Parking Operations maintains inventory and maintenance records of installed parking meters, it does not maintain inventory records of uninstalled parking meters. Consequently, Parking Operations cannot account for all uninstalled meters.

A June 1975 letter from the manufacturer of the City's current parking meters shows that from 1955 to 1975 the City purchased 2,836 meter mechanisms (including 575 meter mechanisms purchased second-hand from Salinas). As of April 22, 1986, the City had approximately 1,600 installed meter mechanisms and 950 meter mechanisms in storage, a total of 2,550. There are no records to account for the other 286 meter mechanisms.

Without inventory records, the City cannot ascertain the proper disposition of parking meter equipment. In our opinion, to control the City's parking meter equipment, Parking Operations should maintain inventory records of both installed and stored meters.

Inventory of Installed Parking Meters
Is Inaccurate and Incomplete

Our test of the inventory of installed parking meters revealed that the inventory records are incomplete or not current:

a) The records do not show at least the following installed meters:

- o Meter No. 23 on Devine St.
- o Meters Nos. 1, 3, 5, 7, and 23 on Notre Dame Ave.
- o Meter No. 1203 on Saint John St.
- o Meter No. 8 on Seventh St.
- o Meters Nos. 104 and 108 on Santa Clara St.

b) No installed meters could be located for the following meter numbers reported in the inventory records:

- o Meters Nos. 1, 101, and 201 on Devine St.
- o Meters Nos. 10 and 12 on Julian St.

- o Meters Nos. 10 and 30 on Notre Dame Ave.
- o Meters Nos. 2, 4, 5 and 16 on Sixth St.
- c) The inventory records show Devine Street, between Market and San Pedro, as part of the Wednesday collection route although the zone is actually part of the Monday collection route.
- d) The inventory records show Santa Clara Street, between Second and Fourth, as part of the Tuesday collection route although the zone is actually part of the Monday collection route.

Parking Meter Collection Maps
Are Inaccurate and Incomplete

Our test of the parking meter collection maps revealed that the maps are incomplete or inaccurate:

- a) The Friday collection route map includes Fifteenth Street although there are no meters along that street.
- b) The Wednesday collection route map indicates that the collector turns right at Post Street although the collector actually goes one more block to San Fernando Street.

- c) The Monday collection route map includes the block bounded by San Antonio, San Fernando, Third, and Fourth Streets. The collectors actually collect from this route on Tuesdays.
- d) The collection route maps have not been updated to reflect the recent removals of parking meters along construction areas in the downtown San Jose.

Test of Parking Meter Revenues

As a result of the absence of adequate internal controls, parking meter revenues are subject to undetected misappropriation. To ascertain if any losses are occurring, we designed an elaborate test of parking meter revenues using specially marked coins which we deposited in the City's parking meters and subsequently retrieved.

Our test required the cooperation of the San Jose Police Department, the Santa Clara County Crime Laboratory and the City's depository bank for parking meter collections. The San Jose Police Department reviewed our procedures, and they provided us with the funds and the special lighting equipment to conduct our test. The Santa Clara County Crime Laboratory

coated our test coins with a material that is undetectable except with a special "black" light. The depository bank provided City Auditor staff with 1) access to turned in parking meter coins, and 2) a room where the black light was used to identify, retrieve and account for the marked coins.

On March 2, 1986, we formed four teams of two auditors each to deposit 1,530 marked coins in 1,507 parking meters. We deposited one marked coin in 1,484 meters and 2 marked coins in 23 meters. We did not deposit coins in malfunctioning meters, hood-covered meters, and meters where construction work blocked the parking space.

During the period from March 3, 1986 through March 11, 1986, audit staff 1) inspected all turned in parking meter coins, and 2) identified and retrieved the marked coins by using the black light. A representative of the depository bank observed the two-person audit team during the entire identification and retrieval process.

The results of our test disclosed that a small loss of parking meter revenues was experienced. Of the 1,530 coins we deposited, we subsequently recovered 1,505. The 25 unrecovered coins represents 1.63% of the deposited marked

coins. If the same amount of loss were to occur each week for the whole year, the total annual loss would be approximately \$14,000. It should be noted that our test of parking meter collections does not prove conclusively that revenue losses are occurring. In addition, our tests was not designed to specifically identify the source of any observed revenue losses. Given the absence of adequate internal controls as described above, any number of activities including vandalism, theft or defalcation could be causative.

*Program to Replace Aging
Parking Meter Equipment*

The age and outmoded design of the City's meters, coupled with the inadequate collection controls, indicate the need to replace the City's parking meter equipment. In our opinion, the City should institute a program to systematically replace the parking meter equipment so that:

- 1) the parking meter equipment is resistant to vandalism and theft; and
- 2) the collection system does not give the collector direct access to the coins.

It will cost the City approximately \$506,000 to replace all of the City's parking meter equipment with more secure equipment. A representative of the City's current supplier of parking meter equipment provided us with the following estimates for equipment utilizing the sealed box collection system (see Attachment E):

	<u>Equipment Cost</u>	<u>Installation Cost</u>	<u>TOTAL</u>
1200 ductile iron single parking meter housings complete with large capacity sealed coin box	\$221,000	\$48,000	\$269,000
600 ductile iron duplex parking meter housings complete with large capacity sealed coin box	<u>213,000</u>	<u>24,000</u>	<u>237,000</u>
TOTAL	<u>\$434,000</u>	<u>\$72,000</u>	<u>\$506,000</u>

During fiscal year 1984-85, the City's parking meters generated approximately \$287,000 in revenues after expenses. Assuming that the level of parking meter revenues remains the same, a five-year replacement program would use about one third of the revenues of the City's parking meters during the five years of the replacement program.

CONCLUSION

Our review of the City's metered parking system revealed inadequate equipment and a pervasive absence of adequate internal controls which makes parking revenues susceptible to undetected misappropriation. Our test of parking meter collections indicated that some limited revenues losses are occurring. When our test results are coupled with the observed lack of internal controls, the need to take appropriate remedial action is clearly indicated. We estimate that it will cost the City \$506,000 over five years to 1) replace the City's parking meter equipment with theft and vandalism-resistant equipment and 2) implement a more secure collection system.

RECOMMENDATIONS:

We recommend:

Recommendation #1:

Finance Department-Parking Operations institute a program to systematically replace parking meter equipment so that:

- a) the meter housing is resistant to vandalism and theft; and

- b) the collection system does not give the collector direct access to the coins. (Priority 2)

Recommendation #2:

Finance Department-Parking Operations revise the parking meter collection and maintenance procedures so that:

- a) two collectors collect together, each emptying alternating meters;
- b) the collectors log out parking meter keys before the collections and log them back immediately after; and
- c) a non-collector performs parking meter key custodian duties. (Priority 2)

Recommendation #3:

Finance Department-Parking Operations maintain a record of daily parking meter collections by collector as well as by route. (Priority 2)

Recommendation #4:

Finance Department-Parking Operations calculate average daily collections per meter for each route and collector and investigate any deviations from an acceptable range.

(Priority 2)

Recommendation #5:

Finance Department-Parking Operations account for and destroy all worn-out parking meter keys. (Priority 2)

Recommendation #6:

Finance Department-Parking Operations maintain a record of the acquisition, usage, and destruction of each parking meter key. (Priority 2)

Recommendation #7:

Finance Department-Parking Operations include uninstalled parking meters in the parking meter inventory and maintenance records and procedures. (Priority 2)

Recommendation #8:

Finance Department-Parking Operations make arrangements with the depository bank so that the bank staff verifies that all the metal canisters used by the collectors are emptied when the collectors deliver the parking meter revenues to the bank.
(Priority 2)

Recommendation #9:

Finance Department-Parking Operations:

- 1) conduct a physical inventory of installed parking meters;
- 2) update inventory records of installed parking meters;
and
- 3) establish written procedures to conduct at least an annual physical inventory of installed parking meters. (Priority 2)

Recommendation #10:

Finance Department-Parking Operations:

- 1) review and update the parking meter collection maps;
and
- 2) establish written procedures to verify at least
annually the accuracy of parking meter collection
maps. (Priority 2)

FINDING II

PARKING METER ZONES ARE NOT
IN CONSONANCE WITH THE
MUNICIPAL CODE

Our review of parking meter zones indicated that the current parking meter zones are not in consonance with the Municipal Code in that:

- 1) current parking meter zones do not agree with the list of Municipal Code designated zones, and
- 2) parking meters are not properly adjusted.

*The Parking Meter Zones Do
Not Agree with the List of
Municipal Code Designated Zones*

The San Jose Municipal Code Section 11.40.040 established 53 parking meter zones in the City. Our review of the parking meter zones revealed that the current zones do not agree with the list of Municipal Code designated zones.

Specifically, we noted the following streets which are still listed in the Municipal Code as parking meter zones but no longer exist:

- o Zone No. 7, Elizabeth Street, from Ninth to Tenth Street

- o Zone No. 16, Hayes Street, from Ninth to Tenth Streets
- o Zone No. 17, Hewlett Street, from Elizabeth to Hayes Streets

In addition, the following street sections have parking meters but are not Municipal Code designated parking meter zones:

- o Almaden Avenue, from Carlisle to Saint John Streets, 17 parking meters
- o Almaden Boulevard, from Santa Clara to Saint James Streets, 14 parking meters
- o San Antonio Street, from Third to Fourth Streets, 14 parking meters
- o Autumn Street, from The Alameda to West Saint John Street, 15 parking meters

Finally, the following are Municipal Code designated parking meter zones but do not have parking meters:

- o Zone No. 1, Almaden Avenue, from Auzerais to Santa Clara Streets
- o Zone No. 3, Bassett Street, from San Pedro to First Streets
- o Zone No. 6, Eighth Street, from San Fernando to Saint John Streets
- o Zone No. 8, Fifteenth Street, from Saint John to Santa Clara Streets
- o Zone No. 31, Saint John Street, from Fourth to Tenth Streets
- o Zone No. 34, San Carlos Street, from Vine to Fourth Streets

- o Zone No. 36, San Fernando Street, from Fourth to Seventh Streets (North side only)
- o Zone No. 37, San Fernando Street, from Seventh to Tenth Streets.

The Municipal Code section 11.40.010 authorizes the City Traffic Engineer to install parking meters in designated parking meter zones "for the purpose of, and in such number and in such places as in his judgment may be necessary for the regulation, control and inspection of the parking of vehicles therein." Parking meters are not installed in certain designated parking meter zones because of 1) the absence of parking time limits, 2) the prohibition of parking, or 3) the reservation of space for loading or unloading, bus stops, taxi cab stands, transfer stands and other public uses. Traffic Operations, however, should evaluate the need for parking meters in the designated parking meter zones that currently do not have parking meters and install meters where appropriate. We estimate an additional \$52,000 per year in parking meter revenues could be collected if as few as 100 meters were installed.

Parking Meters Are Not Properly Adjusted

Parking meters are not properly adjusted to give all the parking time the Municipal Code allows. Municipal Code Section 11.40.060 allows 3 minutes of parking per cent. However, when a parker deposits a quarter in a 20 cents per hour parking meter, he or she gets only 60 minutes instead of 75 minutes.

According to Parking Operations, it intended to provide parkers with the convenience of being able to use a quarter in City parking meters. In our opinion, Parking Operations should have requested the City Council to amend the Municipal Code before putting the practice of an hour's parking for a quarter into effect.

CONCLUSION

Our review of parking meter zones indicated that the current parking meter zones are not in consonance with the Municipal Code. Specifically, 1) current parking meter zones do not agree with the list of Municipal Code designated zones, and 2) parking meters are not properly adjusted.

RECOMMENDATIONS:

We recommend that:

Recommendation #11:

Finance Department-Parking Operations, in conjunction with the City Attorney's Office, prepare the necessary ordinance for Council consideration to revise the Municipal Code so that the parking meter rates in each parking meter zone and the rates specified in the Municipal Code agree. (Priority 2)

Recommendation #12:

Traffic Operations, in conjunction with the City Attorney's Office, prepare the necessary ordinance for Council consideration to update the Municipal Code listing of parking meter zones. (Priority 2)

Recommendation #13:

Traffic Operations evaluate the need for parking meters in designated parking meter zones that currently do not have parking meters and install meters where appropriate.
(Priority 1)

FINDING III

INTERNAL CONTROL OVER OFF-STREET PARKING IS INSUFFICIENT

Our review of the City's Off-street Parking (parking lots and garages) revealed that internal controls are insufficient due to lack of appropriate equipment, malfunctioning equipment, and inadequate ticket accounting procedures.

Non-Existent or Malfunctioning Equipment

Most off-street parking revenue collected at the parking lots and garages is cash. Accordingly, validating devices such as cash registers, fee calculators, and fee displays should be present and in good working condition to provide an accurate and reliable accounting of revenues. As a minimum, time clocks should be used to print in and out times on tickets to provide a verifiable documentation of the revenue. However, since at least 1983, the equipment in the City's parking lots and garages has been outdated, unreliable and malfunctioning. Certain necessary equipment never has been installed. Consequently, for certain lots, the City must rely on the parking lot attendants' handwritten notations on the tickets to account for customers' parking time and fees. During our review of lot equipment on April 7, 1986, we noted that three of the six lots we reviewed did not have a printing time clock.

The equipment in the other three was defective and required manual corrections by the attendants.

The lack of appropriate and functioning equipment precludes an independent verification that reported collections are accurate. Thus, any ticket reviews by either AMPCO or Parking Operations are severely limited in their effectiveness. Furthermore, errors may result because of the manual calculation of parking fees. Parking Operations reviewed ten percent of the tickets issued from November 1985 through February 1986 and found that 135 of the 16,000 tickets sampled resulted in undercharges totaling approximately \$75.

Equipment Malfunction Log Not Being Used

The Off-Street Parking Procedures Manual requires that the parking lot attendant complete an Equipment Malfunction Log form in the event of equipment damage or malfunction. Our review disclosed that this report has not been used since at least March 1985.

Currently, parking lot attendants either orally report equipment damage or malfunction to the AMPCO Parking Lot Supervisor or note it on the lot's daily worksheet. This practice not only fails to conform to required procedures but impairs the City's ability to monitor the condition of parking lot equipment as well.

In our opinion, the Equipment Malfunction Log form could provide information to facilitate 1) the monitoring of equipment repairs, and 2) determining whether a specific piece of equipment should be replaced because of frequent breakdowns.

Additionally, the present Equipment Malfunction Log form could be improved by providing space to document the repair person, repair completion date, and time to make the repair. Such information would facilitate an evaluation of the repair service's efficiency and effectiveness.

*Inadequate Accounting for
Unused Parking Tickets*

The contract between the City of San Jose and AMPCO (Section 11f) specifies that the Director of Finance "shall have custody and control of all (parking) tickets". We found that the Director of Finance, operating through the Parking Operations, does not maintain control of the tickets issued to AMPCO. Parking Operations does not maintain a record showing tickets issued to AMPCO which have not yet been used and returned with the Daily Recaps.

The responsibility for ticket accounting has been delegated to AMPCO. When issuing tickets to the lots, AMPCO records the tickets in its ticket log. Each lot subsequently

reports in a Daily Lot Recap the tickets actually used, and AMPCO submits the Recap together with the used tickets to Parking Operations.

Parking Operations then reviews the Daily Lot Recap for continuity of ticket sequence. However, Parking Operations' review is not intended to and does not control the unused tickets given to AMPCO. On December 5, 1985, we took an inventory of unused parking tickets in the possession of AMPCO. We were unable to account for 500 tickets (numbers 197001 to 197500). Although AMPCO subsequently located the missing tickets, the fact that neither AMPCO nor Parking Operations noted them as missing before our inventory demonstrates the inadequacy of controls over unused tickets. As a result, Parking Operations cannot ascertain that all parking lot and garage receipts are being turned in to the City.

Furthermore, we noted 8,000 tickets in the possession of AMPCO that were obsolete and no longer usable. Neither AMPCO nor Parking Operations had taken any steps to destroy these tickets.

CONCLUSION

Our review of the City's off-street parking operations revealed that internal controls over revenues are insufficient because of non-existent or malfunctioning equipment and inadequate ticket accounting procedures. For a number of years, and up to the present, unreliable or unavailable equipment has forced the parking facilities to rely on the attendants' handwritten notations for the accounting of customers' parking time and fees. Furthermore, the City does not control unused parking tickets. Consequently, Parking Operations can not fully ascertain that all parking lots and garages receipts are being accounted for and turned in to the City.

RECOMMENDATIONS:

We recommend:

Recommendation #14:

Finance Department-Parking Operations install the necessary ticket control equipment to ensure mechanical validation of parking tickets. As a minimum, tamper proof printing time clocks should be provided to each parking facility so that each customer's entry and exit times are imprinted rather than handwritten. (Priority 2)

Recommendation #15:

Finance Department-Parking Operations require AMPCO to use an Equipment Malfunction Report Form showing a description of any equipment damage or malfunction, as well as the repair person, repair completion date, and time to make the repair.

(Priority 2)

Recommendation #16:

Finance Department-Parking Operations control tickets issued to AMPCO by:

- a) maintaining a ticket control log showing tickets issued to AMPCO and tickets returned by AMPCO
- b) at least semi-annually comparing the ticket control log to a physical inventory of unused tickets.

(Priority 2)

Recommendation #17:

Finance Department-Parking Operations and AMPCO account for and destroy all obsolete tickets. (Priority 3)

FINDING IV

PARKING OPERATIONS NEEDS TO IMPROVE ITS MONITORING OF CONTRACTOR PERFORMANCE

The City contracts with ABMI (dba AMPCO Auto Parks, Inc) to operate and maintain City Parking lots and garages. Our review disclosed that Parking Operations has not adequately monitored AMPCO's performance. As a result, significant contract noncompliances for the operation and maintenance of the City's parking facilities are occurring without City detection or corrective action being taken. Specific instances of observed contractor noncompliance with the contract were:

- o Failure to maintain required equipment inventory records
- o Failure to obtain prior City approval for expenditures exceeding \$100
- o Failure to obtain required competitive bids on \$33,766.41 worth of purchases during 1984-85
- o Failure to deposit parking revenues directly into the City's bank account
- o Failure to turn in returned check handling fees and parking permit deposits to the City
- o Failure to amend contract when maintenance staff was increased from one to two at City request
- o Failure to pay the City for discrepancies in ticket value

- o Failure to pay the City for all unaccounted tickets
- o Failure to update the Contract's listing of parking lots operated by contractor
- o Failure to provide insurance coverage and/or proof of insurance coverages in accordance with the City's contract.

Equipment Inventory Records

Contract Section 9 states, "When the Contractor commences performance under this Agreement, Contractor shall execute an inventory receipt for the equipment in said office and on (parking) sites." The Contractor (AMPCO) neither provided the required inventory receipt nor currently maintains inventory records. After our inquiry, Parking Operations prepared a listing of equipment on hand at AMPCO's central office; however, the list was based on a December, 1985 physical inventory rather than on information from a controlled historical record of equipment purchased by the City.

The Finance Department maintains a detail listing of all City fixed assets and equipment costing \$500 or more. Parking Operations should ascertain that the Finance Department fixed assets listing is complete with respect to those assets used by the Parking System. Furthermore, Parking Operations should maintain a list of equipment costing between \$100 and \$500 to supplement the Finance Department's City-wide list. Finally,

Parking Operations and AMPCO should conduct a physical inventory at least annually and upon the termination of the contract between the City and AMPCO.

*Prior City Approval of
Expenditures Exceeding \$100*

Contract Section 7b states, "Whenever the cost of any necessary repair or improvement (including labor and materials) or the expenditure for any supplies or equipment exceeds one hundred dollars, Contractor shall give City prior notification (of) the estimated cost. City may do such work or supply such equipment itself, award a contract to others, or direct Contractor in writing to take such action." Our review of contract reimbursements from July 1, 1984 through December 31, 1985, indicated that the City did not provide written prior approval of expenditures for supplies or equipment exceeding one hundred dollars. Some such expenditures received subsequent written approval, but others received only the implied approval of reimbursement.

Because AMPCO is reimbursed for all eligible expenditures, close monitoring of expenditures is essential to ensure that expenses are limited to amounts that are necessary to the maintenance and operation of the parking lots and garages. In our opinion, AMPCO should use a requisition form to provide Parking Operations prior notification of the expenditures.

Parking Operations should indicate on such form whether the City is to do the work or supply the equipment, award the contract to others, or allow AMPCO to directly obtain the service or merchandise.

Competitive Proposals

Contract Section 7b states, "City shall not direct Contractor to do work or provide any supplies or equipment for which City is required by law to solicit bids." Municipal Code Section 4.13.040A states, "Three competitive proposals shall be obtained, if practicable, on all contracts or purchase orders for general services with a payment amount exceeding one thousand dollars." Our review of Contractor reimbursements from July 1, 1984 through December 31, 1985 revealed that AMPCO purchased from the following vendors certain services for which the City should have obtained competitive proposals¹ but did not:

ABM Sweeping	\$12,675.14
Dal Gar Maintenance	5,016.10
Pinkerton's Security	12,648.15
Security Access Co.	<u>3,427.02</u>

TOTAL	<u>\$33,766.41</u>
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(ABM Sweeping is AMPCO's sister company)

¹ See Attachment H for the City Attorney's comments on this subject.

The purpose of obtaining proposals is to assure competitive prices for the City's purchases. Without the competitive proposals, therefore, the City had no assurance that the contract expenditures were reasonable or met the City's legal requirements.

Furthermore, AMPCO did not prepare written contracts for the services provided by ABM Sweeping, Dal Gar Maintenance, and Security Access Co. AMPCO made a written contract only with Pinkerton's Security. There was no prior written City approval of any of the above service arrangements.

Without the written contracts, we were unable to ascertain exactly what the required services were or whether the services were effective. This lack of written contracts does not provide the normal protection to the City, such as insurances, hold harmless provisions, affirmative action, and absence of any right to retirement and other City benefits.

*Deposit Revenues Directly
In City's Bank Account*

Contract section 10f (for permits) and 11c (for non-permits) states, "Contractor shall deposit directly into City's bank account any and all monies charged or collected by Contractor..." On July 1, 1984, AMPCO started to deposit the City's parking revenues into AMPCO's bank account and then

issue to the City a check for the amount of the daily parking revenues. Although AMPCO informed Parking Operations and received verbal approval for the procedural change, the Contract was not amended to reflect the change and formalize the revised procedures.

The change in bank accounts was made to save an estimated \$790 per month in bank service charges. However, Parking Operations should not have allowed AMPCO to use its own bank account to deposit City parking revenues without 1) formally documenting new responsibilities relating to the revised procedures and 2) amending the contract as soon as practicable. Furthermore, since the bank account is used only for revenues from the City's parking lots and garages, the account should be in the City's name so that the account is covered under the City's accounting and bank reconciliation procedures. We also noted that Parking Operations did not review the transactions, records, and statements relating to AMPCO's bank account for parking collections. Parking Operations should review at least monthly AMPCO's bank account for City parking revenues so that the City can ascertain the propriety of all transactions and balances in that account.

Returned Check Fees and Permit
Deposits Not Turned in to the City

Contract section 21 states in part, "All monies and other things of value collected by Contractor in the operation of the sites shall, immediately upon Contractor's receipt thereof, be and at all times thereafter remain, the sole property of the City." AMPCO collects certain fees which it does not directly turn over to the City. These are the returned checks handling fees and parking permit deposits.

The returned checks handling fee is a \$10 fee that AMPCO charges parking customers who pay their parking fees with bad checks. On February 25, 1986, AMPCO's records showed that they had on hand \$279 in handling fees. Although the City pays the \$3.00 returned check fee charged by the bank, AMPCO does not reimburse the City when AMPCO collects the \$10 handling fee from the parking customer. In our opinion, the \$10 handling fee should be turned in to the City as a reimbursement for the \$3.00 returned check fee and the clerical costs which the City also pays. In addition, since the contract specifies that AMPCO is to bear the risk of loss from bad checks, AMPCO should continue to pay the City for uncollected returned checks in addition to remitting all returned check fees that they collect.

Another fund that AMPCO maintains is the permit deposit fund. Currently, AMPCO collects a \$5.00 refundable deposit

from monthly parking permit customers. Although AMPCO returns these funds to the customers, some customers have not cashed their refund checks. On April 15, 1986, AMPCO had \$146 in parking permit deposit refunds that customers have not cashed. AMPCO issued these checks from 220 days to six years ago. The chances of these checks being cashed is remote at best. Therefore AMPCO should cancel these checks and remit the funds to the City. In addition, Parking Operations should establish a procedure requiring AMPCO to remit to the City similar checks in the future. Further, Parking Operations reviews neither the permit deposit fund nor the returned check handling fees fund. In our opinion, Parking Operations should review both funds at least semi-annually.

Finally, the Contract between the City and AMPCO mentions an unspecified amount for parking permit deposits but does not mention a returned check fee, the amounts to be charged or the conditions for refund. In addition, the administrative procedure for handling fees and the permit deposits are not specified in either the contract or in any formal written agreement.

Contract Amendment for
Increased Maintenance Staff

Contract Section 28 specifies one full-time maintenance worker (for clean-up work). Currently AMPCO is being reimbursed for two full-time maintenance workers. We understand that the increase was at Parking Operations' request, but the contract has not been amended to reflect this change.

Payment for Discrepancies in Ticket Value

Contract section 8j states, "Discrepancies in ticket value will be paid by Contractor to City". Our review disclosed two types of discrepancies in ticket value which AMPCO did not pay or only partially paid to the City: Amounts Undercharged and Cash Shortages.

Amounts Undercharged is the difference between the amount the customer owed and the amount actually collected. Parking Operations has not billed AMPCO and AMPCO has not paid to the City the amount of ticket undercharges. The total amount of ticket undercharges has not been determined. However, from

November 1985, through February 1986, Parking Operations reviewed every tenth ticket and found the following ticket undercharges in the samples:

<u>Month</u>	<u>Tickets Sampled</u>	<u>Tickets Found to be Undercharged</u>	<u>Amount Undercharged</u>
November 1985	3,647	41	\$24.00
December 1985	3,581	19	9.25
January 1986	4,278	42	21.25
February 1986	<u>4,472</u>	<u>33</u>	<u>20.25</u>
Total	<u>15.978</u>	<u>135</u>	<u>\$74.75</u>

Cash Shortages are the difference between the amount the attendant reported as collected and the amount actually turned in. Parking Operations bills AMPCO monthly for cash shortages net of cash overages. From March 1985 through December 1985, Parking Operations' billing for net cash shortages totalled \$126.15 or an average of \$12.62 per month. Gross cash shortages for the same period totalled \$2,102.84 or an average of \$210.28 per month. In our opinion, AMPCO should be billed the gross shortages² rather than the net amount unless AMPCO substantiates a direct relationship between an overage and a specific shortage.

² See Attachment H for the City Attorney's comments on this subject.

In addition it should be noted that although Parking Operations keeps a daily log of cash overages and shortages, it does not investigate and explain any unusual occurrences. For example, there is no explanation for an overage of \$210 on December 10, 1985 at Lot 17 and an offsetting shortage at the same lot three days later. Further, on November 25, 1985, Lot 2 reported a \$36.50 shortage and the next day reported an offsetting overage. In our opinion, Parking Operations should investigate any such unusual occurrences.

Payment for All Unaccounted Tickets

Contract Section 11f states, "All tickets not accounted for to City's satisfaction shall be deemed to have been issued and sold by Contractor, and Contractor shall pay City therefor at the average ticket value applicable to said site for the date of the unaccounted for ticket." Parking Operations bills AMPCO monthly for shortages in daily ticket counts less a shortage allowance for each lot. These shortage allowances are not authorized by the contract or a formal understanding. Using ticket shortage worksheets maintained by Parking Operations, we estimated the value of ticket shortages from March 1985 through December 1985 at \$9,100. During the same period, Parking Operations billed AMPCO \$1,200 for ticket

shortages, leaving approximately \$7,900 in unbilled ticket shortages. In our opinion, Parking Operations should:

- 1) discontinue the use of ticket shortage allowances and require AMPCO to explain all daily ticket shortages;
- 2) bill AMPCO for all unaccounted tickets; and
- 3) continue to maintain a record of shortages, but also document why such shortages occur.

Failure to Update Contract's Listing
of Parking Lots Operated by Contractor

The Contract with AMPCO contains a listing of the sites to be maintained and operated by AMPCO. The listing was created in 1984 and has never been updated. It does not include Lot Number 23 which was operated for a brief period, or Lot Number 24 which is currently operated by AMPCO. This listing should be formally amended as changes in actual sites occur.

Inadequate Insurance Coverage

Our review disclosed numerous instances in which AMPCO failed to comply with the insurance provisions of the contract. Specifically, we noted:

- a) The copy of Employee Dishonesty Fidelity Insurance (Comprehensive Crime Policy) was not supplied to the City by the Contractor until January 14, 1986, two years after the commencement of the contract. Contract Section 13(b) specifies that "Contractor shall deliver copies of such policy to the City Clerk and to the City's Risk Manager for their files prior to commencing its performance." On January 16, 1986, the City Risk Manager noted that the policy did not include a 30-day notice of cancellation clause and he, therefore, instructed the City Clerk's Office to request an endorsement providing the 30-day notice to cancellation. The endorsement for the 30-day cancellation notice became effective on January 21, 1986. The endorsement, however, includes the statement that "...failure to so notify said CITY OF SAN JOSE shall not impair or delay the effect of such cancellation, termination or modification."
- b) Contract Section 13(b) provides for a maximum fidelity bond deductible of \$5,000. Section 13(b) further provides that only the City Manager, with the concurrence of the City Attorney, may consent to the increase or decrease of any deductible. However, our review revealed that the Risk Manager waived the Fidelity Bond in lieu of a Comprehensive Crime Policy with a \$25,000 deductible. As a result, the Fidelity Bond deductible was in effect raised from \$5,000 to \$25,000, apparently without the requisite City Manager and City Attorney involvement.
- c) According to the Certificates of Insurance (proofs) supplied to the City, the Employee Dishonesty Fidelity Insurance (Comprehensive Crime Policy) policy limit was reduced from \$1,500,000 to \$100,000 during the period of 8/24/84 to 12/17/85. This may have been a mistake in the preparation of the Certificates but the change was not noted by the City Risk Manager. Contract Section 13(a) requires a minimum limit of \$250,000. The current Certificate of Insurance stated that the coverage amount is \$1,500,000.
- d) The Umbrella Liability policy under the Comprehensive General Liability policy (Contract Section 24[a.1]) expired on August 1, 1985. There was no renewal certificate on file with the City Risk Manager as of October 29, 1985. After our inquiry, the City Risk Manager requested and received from AMPCO a renewal certificate.

- e) Although the City Risk Manager had notified the City Clerk on February 10, 1984 that all insurance requirements had been met, the policy endorsements required under Contract Section 24(b) were still not on file with the City Risk Manager. Only after the audit staff's inquiry on October 29, 1985, did the City Risk Manager request and receive from AMPCO the required endorsements.
- f) The Third Party Crime policy required by Contract Section 24 is not indicated on any of the certificates of insurance that have been provided by the Contractor. It is therefore uncertain whether the City is covered under a Third Party Crime policy.
- g) Contract Section 24(a.1.h) requires Fire Legal Liability to be included in the Comprehensive General Liability. Although listed in the prior Certificate of Insurance this coverage was not included in the Certificate of Insurance dated December 17, 1985.
- h) The Contract requires that, if the Comprehensive General Liability policy provides for self-insured retention, such self-insured retention should not exceed \$100,000 per occurrence (Section 24(1), page 25). The Comprehensive General and Automobile Liability policy provided by AMPCO showed a self-insured retention of \$250,000 per occurrence.
- i) Until September 1985, AMPCO was paying Parking Products Inc. \$135 per month (which was reimbursed by the City) for liability insurance relating to leased equipment used on some of the parking facilities. However, no insurance policy or other proof of coverage is on file with the City Risk Manager or Parking Operations for this coverage. Parking Operations should determine if this additional insurance was necessary.

CONCLUSION

Our review of compliance with the contract between the City and AMPCO for the operation and maintenance of the City's parking lots and garages revealed that inadequate contract monitoring has resulted in significant noncompliance that have gone undetected and uncorrected.

RECOMMENDATIONS:

It is recommended that:

Recommendation #18:

Finance Department-Parking Operations establish control over City equipment used by Parking Operations and AMPCO at the Parking Administration Office and the parking sites by:

- a) determining what property AMPCO should have;
- b) updating and maintaining the Finance Department's portion of the City-wide fixed asset listing which apply to Parking Operations;
- c) maintaining inventory records of equipment items costing between \$100 and \$500 to supplement the Finance Department's listing of equipment costing \$500 or more;
- d) obtaining a list of equipment signed by AMPCO indicating specific City property for which AMPCO has accepted responsibility for custodianship; and

- e) conducting physical inventories of such equipment at least annually and upon termination of the contract.
(Priority 2)

Recommendation #19:

Finance Department-Parking Operations require AMPCO to use a requisition form, upon which the City's Parking Operations should indicate whether the City is to: a) do the work or supply the equipment, b) award the contract to others, or c) allow AMPCO to directly obtain the service or merchandise.
(Priority 2)

Recommendation #20:

Finance Department-Parking Operations follow established City procedures for the procurement of general services for the parking facilities. (Priority 1)

Recommendation #21:

Finance Department-Parking Operations formally amend the contract between the City and AMPCO for: a) the change in revenue deposit procedures; b) the amounts to be charged, the conditions for refund, and the administrative procedure for the returned check handling fees and the parking permit deposits;

c) the authorization for the actual two maintenance workers instead of the one specified in contract Section 28; d) the daily ticket count shortages for each lot; and e) any additions or deletions to the list of parking sites to be operated and maintained by the contractor. (Priority 2)

Recommendation #22:

Finance Department-Parking Operations review at least monthly the special bank account (including the monthly reconciliation thereof) for City parking revenues which is in AMPCO's name, and document such review. (Priority 2)

Recommendation #23:

Finance Department-Parking Operations require AMPCO to deposit revenues from parking lots and garages in a bank account in the City's name. (Priority 2)

Recommendation #24:

Finance Department-Parking Operations require AMPCO to remit to the City the receipts from handling fees for customer checks returned by the bank. (Priority 2)

Recommendation #25:

Finance Department-Parking Operations review at least semi-annually the permit deposits and returned checks handling fees held by AMPCO. (Priority 2)

Recommendation #26:

Finance Department-Parking Operations require AMPCO to cancel deposit refund checks that are 180 days or older and remit the amounts to the City. (Priority 2)

Recommendation #27:

Finance Department-Parking Operations bill AMPCO for gross amounts of discrepancies in ticket value unless explanations are supplied for offsets. (Priority 2)

Recommendation #28:

Finance Department-Parking Operations:

- a) discontinue the use of ticket shortage allowances and require AMPCO to explain all daily ticket shortages;

- b) bill AMPCO for all unaccounted tickets; and
- c) maintain a record of shortages and explanation for such shortages. (Priority 2)

Recommendation #29:

Finance Department-Risk Manager monitor the contract with AMPCO to ensure that all insurances and proofs of insurances required by the contract are current. (Priority 2)

Recommendation #30:

Finance Department-Parking Operations: a) request from Parking Products, Inc. a copy of the insurance policy for which the City paid \$135 per month; and b) ascertain that the insurance coverage was necessary and in accordance with the Parking Products, Inc. equipment service contract. (Priority 2)

Recommendation #31:

Finance Department-Risk Manager ascertain that all insurance requirements of the contract between the City and AMPCO are met by the contractor before sending the letter of approval to the City Clerk and the Department. (Priority 2)

FINDING V

TRANSFER OF PARKING LOT NUMBERS 16
AND 17 TO REDEVELOPMENT AGENCY NOT
RECORDED IN CITY'S ACCOUNTING RECORDS

Between December 1984 and February 1986, the City closed and transferred to the Redevelopment Agency Parking Lot Numbers 5, 16 and 17. Lot Number 5 was closed in December 1984, Lot Number 16 in June 1985, and Lot Number 17 in February 1986. The City recorded the transfer of Lot Number 5 but not the transfer of Lot Numbers 16 and 17.

In our opinion, since the Parking System is a separate accounting entity, the Finance Department should record the transfer of Parking Lot Numbers 16 and 17 in the Parking System's accounts.

RECOMMENDATION

We recommend:

Recommendation #32:

Finance Department make entries in the Parking System accounts to record the transfer of parking Lot Numbers 16 and 17 to the Redevelopment Agency. (Priority 2)

RECEIVED
JUN 27 1986

CITY OF SAN JOSE - MEMORANDUM CITY AUDITOR

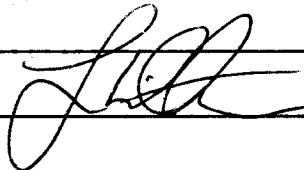
TO: Honorable Mayor and City Council

FROM: Edward G. Schilling
Director of Finance

SUBJECT: AUDIT OF PARKING OPERATIONS

DATE: June 26, 1986

APPROVED



DATE

The Finance Department has reviewed the recommendations and findings in the recently completed Audit of Parking Operations. In most respects we agree with the recommendations. We believe that the Audit will assist the Finance Department in its efforts to improve management of the parking program.

The Audit contains constructive criticism of parking program operations in a number of areas. While we agree that most of these suggested improvements are necessary, we feel that it is appropriate to describe the operational context of the parking program over the past several years. In 1980 Parking Operations administered ten parking sites having a total of approximately 4,000 parking spaces. Currently, the City operates six parking lots and three parking structures containing a total of approximately 4,600 parking spaces. Over the past two years development activity in the downtown area has caused considerable disruption to the City's parking program. Projects such as the Fairmont Hotel, the Convention Center, the Silicon Valley Financial Center, the Museum of Art expansion and others have forced the closing of parking lots with the subsequent need to displace monthly and transient parkers. During this period of disruption, which included closing the Market Street Garage for its 3-story addition, Parking Operations has made service to its customers a top priority. The amount of time required to coordinate with project managers and handle such special demands as the parking validation program and the Free Parking Program have diminished the amount of time available for the oversight of day-to-day parking activities.

City management and the City Council have recognized the need to increase the amount of attention given to day-to-day administration by approving a new Staff Analyst position for the Parking Operations program. However, in recognition of the significant growth in the parking program, the complexity of financial, operational, and customer service issues, and the findings in this Audit, City management will be recommending that the Staff Analyst II position be upgraded to a Parking Manager. The addition of this position, in conjunction with implementation of the recommendations provided by the City Auditor, will take the City a major step forward in addressing the various needs described above.

The Parking Operations Audit began in the Spring of 1985. As the Audit moved forward its scope expanded. Although formal recommendations were not presented for management's review during the Audit, they were discussed with the Parking Coordinator. Wherever possible, the preliminary recommendations were implemented immediately. Where that has occurred, the dates and details are included in these recommendation responses.

Recommendation #1

Finance Department-Parking Operations institute a program to systematically replace parking meter equipment so that:

- a) the meter housing is resistant to vandalism and theft; and
- b) the collection system does not give the collector direct access to the coins.

RESPONSE

This recommendation is being implemented in part at this time. In those areas where the City has experienced regular vandalism, vandalism-resistant parking meters are being installed as a normal procedure. Over the past few years the City has installed 52 vandal-resistant meters and currently has 47 in inventory. In addition, the parking meter shop personnel have developed an anti-theft rod which recently was recognized for an award through the Suggestion Award Program. Details on the design on the anti-theft rod have been provided to the City Auditor's staff. In the two years since this device has been in use the City has lost only one parking meter so equipped to theft. Anti-theft rods are now being used regularly whenever a new or replacement meter pole is installed by Traffic Operations.

The implementation of a collection system which does not give the collector direct access to the coins would require replacement of the City's 1,600 installed meters plus spares at a estimated cost of over \$500,000. There are no funds available in the 1986-87 parking program for this purpose, and given the extraordinary expenses associated with the Free Parking Program, staff does not expect the situation to change in 1987-88. It may be possible to consider the advantages and disadvantages of a meter replacement program as part of the 1988-89 budget, although the possible merits of that program would have to be weighed against the demands experienced at that time for additional off-street parking facilities. Although the existing meters do provide collectors access to the coins during the collection process, there are several methods which can be used to protect the City against such theft. Several of the recommendations in this audit and a statistical test mentioned in a later recommendation response address the issue of parking meter collection control.

At this time, staff does not concur with the recommendation that a meter replacement program be implemented. Staff proposes continuing the installation of vandal-resistant meters and anti-theft rods as existing meters are stolen or broken.

Recommendation #2

Finance Department-Parking Operations revise the parking meter collection and maintenance procedures so that:

- a) two collectors collect together, each emptying alternating meters;
- b) the collectors log out parking meter keys before the collections and log them back immediately after; and
- c) a non-collector performs parking meter key custodian duties.

RESPONSE

On its face, the recommendation to have two collectors collect together emptying alternating meters appears to be beneficial. On closer examination we believe that implementation of the recommendation would negate the advantage of tracking collection revenues for each individual collector by route. Additionally, having two collectors on a single route would increase to some extent the time required for revenue collection. As an alternative to the recommendation, staff proposes modifying the existing collection system so that collections for specific routes are identified by collector. Additionally, we will continue rotating the collection assignments among the collectors.

Staff concurs with the recommendation to log out parking meter keys before collections and log them back immediately thereafter. This will necessitate a subsequent logging out of collection keys as the collectors change to their maintenance roles. The replacement or repair of a meter housing requires access to the coin chamber which can only be opened with a collection key. After the maintenance work is completed, the logged-out collection keys will be returned and logged in.

Staff concurs with the recommendation to have a non-collector perform parking meter key custodian duties. We will be seeking to have the Main Service Yard Yard Master assume this responsibility. These recommendations will be implemented by August 1, 1986.

Recommendation #3

Finance Department-Parking Operations maintain a record of daily parking meter collections by collector as well as by route.

RESPONSE

Finance-Parking Operations concurs with this recommendation. Again, we feel that this recommendation will be most effective if the collectors are assigned individual routes instead of collecting routes together.

Recommendation #4

Finance Department-Parking Operations calculate average daily collections per meter for each route and collector and investigate any deviations from an acceptable range.

RESPONSE

Finance-Parking Operations concurs with this recommendation. Additionally, Finance staff has applied on a pilot basis a statistical test to parking meter collection data which is capable of identifying regular variances in collection revenues, even if the amount of variance is small. Used in conjunction with Parking Operations existing meter collection revenue tracking system, we believe that the resulting oversight of parking meter collections would be sufficient to detect any systematic skimming of meter revenues.

Recommendation #5

Finance Department-Parking Operations account for and destroy all worn-out parking meter keys.

RESPONSE

Parking Operations will implement this recommendation by destroying the worn-out parking meter keys by July 31, 1986.

Recommendation #6

Finance Department-Parking Operations maintain a record of the acquisition, usage, and destruction of each parking meter key.

RESPONSE

Staff concurs with this recommendation and will set up the required logs immediately.

Recommendations #7

Finance Department-Parking Operations include uninstalled parking meters in the parking meter inventory and maintenance records and procedures.

RESPONSE

At present Parking Operations uses both a computerized and manual inventory system. At the time the Auditor began the investigation, the inventory records were not up-to-date because of a clerical shortage in the office and higher priority work in the Meter Shop. Since that time, both the personnel and Meter Shop situations have stabilized, and the meter inventory has been updated. Recommendation implemented.

Recommendation #8

Finance Department-Parking Operations make arrangements with the depository bank so that the bank staff verifies that all the metal canisters used by the collectors are emptied when the collectors deliver the parking meter revenues to the bank.

RESPONSE

The City is in the middle of switching banking services from Wells Fargo Bank to Security Pacific National Bank. Switching will be completed and operational by the end of July, 1986. This recommendation for bank staff verification that all metal canisters are emptied will be implemented when meter deposits begin at Security Pacific National Bank.

Recommendation #9

Finance Department-Parking Operations:

- 1) conduct a physical inventory of installed parking meters;
- 2) update inventory records of installed parking meters; and
- 3) establish written procedures to conduct at least an annual physical inventory of installed parking meters.

RESPONSE

Finance-Parking Operations concurs with these recommendations. (1) A physical inventory of installed parking meters will be completed by October 15, 1986. (2) The inventory records have been updated. Parking Operations' goal is to update these records on a weekly basis. (3) Procedures for an annual physical inventory will be completed by December 1, 1986.

Recommendation #10

Finance Department- Parking Operations:

- 1) review and update the parking meter collection maps; and
- 2) establish written procedures to verify at least annually the accuracy of parking meter collection maps.

RESPONSE

When the current Parking Operations audit was begun the Auditor's staff was advised that the parking meter collection maps were not current because of the Transit Mall construction and the resulting changing availability of on-street parking in the downtown. Since that time the maps have been updated and a current copy was given to the City Auditor in early May.

Written procedures for verification of the parking meter collection maps will be completed by December 1, 1986.

Recommendation #11

Finance Department-Parking Operations prepare the necessary ordinance for Council consideration to revise the Municipal Code so that the parking meter rates in each parking meter zone and the rates specified in the Municipal Code agree.

RESPONSE

After coordinating with Traffic Operations on this recommendation and recommendations #12 and #13, Parking Operations will prepare the necessary ordinance to comply. The ordinance amendment will be presented to the City Council by October 15, 1986.

Recommendation #12

Traffic Operations prepare the necessary ordinance for Council consideration to update the Municipal Code listing of parking meter zones.

RESPONSE

The Traffic Operations Department concurs with the recommendation. We will conduct an inventory of existing parking meter zones and, in cooperation with the Attorney's Office, prepare an ordinance updating the municipal code which will be submitted for Council consideration by December 1, 1986.

Recommendation #13

Traffic Operations evaluate the need for parking meters in designated parking meter zones that currently do not have parking meters and install meters where appropriate.

RESPONSE

The Traffic Operations Department concurs with the recommendation. We will evaluate non-metered parking meter zones and, in cooperation with the Finance Department, install parking meters where deemed appropriate. This will be accomplished prior to December 1, 1986, and will be incorporated in the ordinance referred to in Item #12 above.

Recommendation #14

Finance Department-Parking Operations install the necessary ticket control equipment to ensure mechanical validation of parking tickets. As a minimum, tamper proof printing time clocks should be provided to each parking facility so that each customer's entry and exit times are imprinted rather than handwritten.

RESPONSE

At this time printing time clocks have been installed at all but one City parking lot. When the Auditor's staff began their investigation, four parking lots (#8, #20, #22, and #24) did not have electrical power. As a result they were unable to use electric clocks. Since then, all but Lot #24 have had electricity installed. Lot #24 will have electricity installed through a construction contract which was approved by the City Council at its June 24, 1986 meeting. Parking Operations will ensure that each Lot has a working and reliable time clock as soon as electrical power is available at each new location.

Recommendation #15

Finance Department-Parking Operations require AMPCO to use an Equipment Malfunction Report Form showing a description of any equipment damage or malfunction, as well as the repair person, repair completion date, and time to make the repair.

RESPONSE

Parking Operations has required AMPCO utilization of an Equipment Malfunction Report Form since May, 1986. Recommendation implemented.

Recommendation #16

Finance Department-Parking Operations control tickets issued to AMPCO by:

- a) maintaining a ticket control log showing tickets issued to AMPCO and tickets returned by AMPCO;
- b) at least semi-annually comparing the ticket control log to a physical inventory of unused tickets.

RESPONSE

Since December 1985 Parking Operations have been using a ticket control log which addresses this recommendation. Staff is reviewing the procedures for use of this log at this time, and will present any proposed modifications to the City Auditor for review and comment.

Parking Operations will include in its ticket control procedures a provision for semi-annually comparing the ticket control log to a physical inventory of unused tickets. The revised procedures will be completed by October 15, 1986.

Recommendation #17

Finance Department-Parking Operations and AMPCO account for and destroy all obsolete tickets.

RESPONSE

Parking Operations is making arrangements with the City Auditor's staff to comply with this recommendation. All obsolete parking tickets will be destroyed by August 1, 1986.

Recommendation #18

Finance Department-Parking Operations establish control over City equipment used by Parking Operations and AMPCO (both at the Parking Administration Office and the parking sites) by:

- a) determining what property AMPCO should have;
- b) updating and maintaining the Finance Department's portion of the City-wide fixed asset listing which apply to Parking Operations;

- c) maintaining inventory records of equipment items costing between \$100 and \$500 to supplement the Finance Department;s listing of equipment costing \$500 or more;
- d) obtaining a list of equipment signed by AMPCO indicating specific City property for which AMPCO has accepted responsibility for custodianship; and
- e) conducting physical inventories of such equipment at least annually and upon termination of the contract.

RESPONSE

Parking Operations concurs with these recommendations. Items a) through d) will be completed by October 15, 1986. A physical inventory of City equipment used by Parking Operations and AMPCO will be conducted by October 15, 1986, annually thereafter, and upon termination of any parking contracts.

Recommendation #19

Finance Department-Parking Operations require AMPCO to use a requisition form, upon which the City's Parking Operations should indicate whether the City is to: a) do the work or supply the equipment, b) award the contract to others or c), allow AMPCO to directly obtain the service of merchandise.

RESPONSE

Currently, AMPCO uses their own purchase requisition upon which is noted information including Lot #, why a repair is needed, and who must approve it. The Parking Coordinator approves each AMPCO purchase requisition for supplies to be bought for City lots, including dating the form and making clear why the supplies are necessary. Staff will work with AMPCO to modify their requisition form to indicate how the work should be performed as recommended. This modification will be completed by October 15, 1986.

Recommendation #20

Finance Department-Parking Operations follow established City procedures for the procurement of general services for the parking facilities.

RESPONSE

Finance-Parking Operations will comply with established City procedures for the procurement of general services for the parking facilities. Parking staff will consult with Purchasing to determine the most expeditious method of acquiring emergency repair or maintenance services when they are needed.

Recommendation #21

Finance Department-Parking Operations formally amend the contract between the City and AMPCO for: a) the change in revenue deposit procedures; b) the amounts to be changed, the conditions for refund, and the administrative procedure for the returned check handling fees and the parking permit deposits; c) the authorization for the actual two maintenance workers instead of the one specified in contract Section 28; d) the daily ticket count shortages for each lot; and e) any additions or deletions to the list of parking sites to be operated and maintained by the contractor.

RESPONSE

Parking Operations is negotiating an amendment to AMPCO's agreement with the City on management fee. As a part of that process staff will attempt to negotiate the items indicated in this recommendation.

Recommendation #22

Finance Department-Parking Operations review at least monthly the special bank account (including the monthly reconciliation thereof) for City parking revenues which is in AMPCO's name, and document such review.

RESPONSE

Procedures which comply with this recommendation have been in operation since January, 1986.

Recommendation #23

Finance Department-Parking Operations require AMPCO to deposit revenues from parking lots and garages in a bank account in the City's name.

RESPONSE

The referenced account, which is in AMPCO's name, is set up with the City of San Jose as the only/sole payee. We will seek to have San Jose's name added to the account.

Recommendation #24

Finance Department-Parking Operations require AMPCO to remit to the City the receipts from handling fees for customer checks returned by the bank.

RESPONSE

The current practice is for AMPCO to retain the full ten dollar handling fee. These fees are used to cover AMPCO revenue losses resulting from returned checks. The issue of check handling fees and returned check charges will be addressed in the pending negotiations with AMPCO on a contract amendment.

Recommendation #25

Finance Department-Parking Operations review at least semi-annually the permit deposits and returned checks handling fees held by AMPCO.

RESPONSE

Parking Operations has been reviewing the permit deposit account on a monthly basis since 1984. This practice will be continued and extended to the returned check handling account beginning in July 1986.

Recommendation #26:

Finance Department-Parking Operations require AMPCO to cancel deposit refund checks that are 180 days or older and remit the amounts to the City.

RESPONSE

Finance Parking Operations concurs with this recommendation and will advise AMPCO to implement it immediately.

Recommendation #27:

Finance Department-Parking Operations bill AMPCO for gross amounts of discrepancies in ticket value unless explanations are supplied for offset.

RESPONSE

The recommended procedure is the current practice in Parking Operations. It appears that this recommendation was prompted by an invoice which was being held in Parking Operations while a contract interpretation question was resolved.

Recommendation #28

Finance Department--Parking Operations:

- a) discontinue the use of ticket shortage allowances and require AMPCO to explain all daily ticket shortages;
- b) bill AMPCO for all unaccounted tickets; and
- c) maintain a record of shortages and explanation for such shortages.

RESPONSE

Staff concurs with these recommendations and will maintain the recommended records. The elimination of the daily ticket shortage allowance will be communicated immediately to AMPCO and explanations will be required for any daily ticket shortages.

Recommendation # 29:

Finance Department--Risk Manager monitor the contract with AMPCO to ensure that all insurances and proofs of insurance required by the contract are current.

RESPONSE

Risk Management reviews all City contracts to set insurance requirements and then approves the submitted insurance papers before contracts are approved for payment. The adequacy of the AMPCO insurance was first confirmed as of February 10, 1984 for the contract covering the period of January 1, 1984 through December 31, 1986. From the insurance approval date to this date all insurance coverages have been continuously in force and in compliance with the contract requirements. The Auditor's inability to confirm the adequacy and currency of insurance coverage may have resulted from the fact that AMPCO's insurance has on occasion been written in the name of American Building Maintenance Company.

Recommendation #30

Finance Department--Parking Operations: (a) request from Parking Products, Inc. a copy of the insurance policy for which the City paid \$135 per month; and (b) ascertain that the insurance coverage was necessary and in accordance with the Parking Products, Inc. equipment service contract.

RESPONSE

Parking Operations has sent Parking Products, Inc. a letter requesting the information suggested in this recommendation. When an answer is received, the response will be passes along to the City Auditor.

Recommendation #31

Finance Department-Risk Manager ascertain that all insurance requirements of the contract between the City and AMPCO are met by the contractor before sending the letter of approval to the City Clerk and the Department.

RESPONSE

The recommendation describes existing City procedures for insurance approval of City contracts. This was the procedure that was followed for the contract with AMPCO. If at any time during the contract period any of the required insurance coverages expire or are cancelled, a prompt request for replacement coverage is sent to the contractor.

Recommendation #32

Finance Department make entries in the Parking System accounts to record the transfer of Parking Lot Numbers 16 and 17 to the Redevelopment Agency.

RESPONSE

The Finance Department will make the appropriate entries on the transfer of Parking Lot Numbers 16 and 17 to the Redevelopment Agency before the 1985-86 fiscal year closing.

Respectfully submitted,



Edward G. Schilling
Director of Finance

EGS:jfb
6903F/0220F

Attachment A

CITY OF SAN JOSE
PARKING DISTRICT NO. 1 1965 BONDS

Purpose: To build the Market Street Garage and three surface lots

Original
Amount: \$3,450,000

Remaining Service
Bond Requirements:

<u>Year</u>	<u>Principal</u> <u>Maturing</u> <u>Aug. 10</u>	<u>Interest</u>	<u>Total</u> <u>Requirements</u>
1986	\$140,000	\$57,435	\$197,435
1987	140,000	52,395	192,395
1988	150,000	47,063	197,063
1989	150,000	41,438	191,438
1990	160,000	35,625	195,625
1991	170,000	29,438	199,438
1992	170,000	23,062	193,062
1993	180,000	16,500	196,500
1994	190,000	9,563	199,563
1995	<u>200,000</u>	<u>3,000</u>	<u>203,000</u>
TOTAL	<u>\$1,650,000</u>	<u>\$315,519</u>	<u>\$1,965,519</u>

How Funded:

The Parking District No. 1 1965 bonds and the interest thereon are payable exclusively from the revenues of Parking District No. 1 lots, garages and parking meters. The Bonds are not general obligations or general indebtedness of the City but are special obligations of the City issued for the District. The bonds and interest are payable solely from the revenues and neither the City nor any of its officers may be held otherwise liable for the payment of the principal of the bonds or the interest.

(Attachment A)

Attachment B

PARKING AUTHORITY OF THE
CITY OF SAN JOSE
1972 SAN JOSE PLAZA
PARKING REVENUE BONDS

Purpose: To build a six-story parking garage at St. John and Second Streets

Original Amount: \$3,225,000

Remaining Bond Service Requirements:

<u>Year</u>	<u>Principal Maturing Aug. 1</u>	<u>Interest</u>	<u>Total Requirements</u>
1986	\$125,000	\$113,105.00	\$238,105.00
1987	135,000	106,885.00	241,885.00
1988	145,000	100,105.00	245,105.00
1989	155,000	92,710.00	247,710.00
1990	165,000	84,805.00	249,805.00
1991	175,000	76,225.00	251,225.00
1992	185,000	67,037.50	252,307.50
1993	195,000	57,325.00	252,325.00
1994	210,000	47,087.50	257,087.50
1995	225,000	36,062.50	261,062.50
1996	235,000	24,250.00	259,250.00
1997	250,000	12,500.00	262,500.00
TOTAL	<u>\$2,200,000</u>	<u>\$818,067.50</u>	<u>\$3,018,067.50</u>

How Funded:

The Parking Authority issued the 1972 San Jose Plaza Parking Bonds to finance the acquisition, construction and improvements of a six-story parking garage at St. John and Second Streets. The Parking Authority redeems the bonds as they mature and pays the interest with revenues received from the City of San Jose under a lease agreement. Under the lease agreement, the City operates and maintains the parking garage and collects all the revenues from the operation of the garage. The City then pays rent to the Parking Authority in an amount sufficient to allow the Parking Authority to service the bond requirements and to pay any additional amounts required for taxes and assessments, administrative costs, and insurance premiums. The lease agreement requires the City to include all rental payments due to the Parking Authority in the City's annual budget and to make the necessary annual appropriations for all such rental payments.

Attachment C

*PARKING AUTHORITY OF THE
CITY OF SAN JOSE
1985 PARKING LEASE REVENUE BONDS*

Purpose: To construct three additional levels at the Market Street Parking Garage

Original Amount: \$4,500,000

Remaining Bond Service Requirements:

<u>Year</u>	<u>Principal Maturing July 1</u>	<u>Interest</u>	<u>Total Requirements</u>
1986	\$---	\$331,450	\$331,450
1987	275,000	331,450	606,450
1988	325,000	312,200	637,200
1989	350,000	289,450	639,450
1990	375,000	264,950	639,950
1991	425,000	238,700	663,700
1992	450,000	208,100	658,100
1993	500,000	174,800	674,800
1994	550,000	136,800	686,800
1995	600,000	95,000	695,000
1996	<u>650,000</u>	<u>49,400</u>	<u>699,400</u>
TOTAL	<u>\$4,500,000</u>	<u>\$2,432,300</u>	<u>\$6,932,300</u>

How Funded:

The Parking Authority issued the 1985 Parking Lease Revenue Bonds to finance the construction of three additional levels at the Market Street Parking Garage. The Parking Authority redeems the bonds as they mature and pays the interest with revenues received from the City of San Jose under a lease agreement. Under the lease agreement, the City operates and maintains the parking garage additions and collects all the revenues from the operation of the facility. The City then pays rent to the Parking Authority in an amount sufficient to allow the Parking Authority to service the bond requirements and to pay any additional amounts required for taxes and assessments, administrative costs, and insurance premiums. The lease agreement requires the City to include all rental payments due to the Parking Authority in the City's annual budget and to make the necessary annual appropriations for all such rental payments.

(Attachment C)

CITY OF SAN JOSE
PARKING LOTS AND GARAGES

<u>Number</u>	<u>Description/ Location</u>	<u>Gross Revenues FY 1984-85 (000)</u>	<u>Number of Parking Spaces</u>	<u>Comments</u>
1	Market St. Garage	\$575	746	Closed for construction from Sept 1985 through March 1986. Partially re-opened in April 1986 with 430 spaces.
2	Third St. Garage	359	765	
5	Post St. Lot	48	107	Closed in December 1984. Property was sold to the Redevelopment Agency in December 1984.
6	Fountain Alley Lot	248	156	
7	South Market St. Lot	394	507	The City rents this lot from the Redevelopment Agency. In September 1985, a portion of this lot was taken over by the Fairmont Hotel project, leaving 187 parking spaces.

(Attachment D)

<u>Number</u>	<u>Description/ Location</u>	<u>Gross Revenues FY 1984-85 (000)</u>	<u>Number of Parking Spaces</u>	<u>Comments</u>
8	North San Pedro Lot	\$ 2	84	In September 1985, this lot was re-striped and its parking spaces increased to 106 to accommodate parkers displaced by the closing of the Market St. Garage
12	Main Library Metered Lot	47	59	Partially taken over by the Convention Center Project. Parking spaces were reduced to 20 in March 1986.
16	Vine & San Carlos Lot	50	73	Closed in June 1985. The property was transferred to the Redevelopment Agency in June 1985 for use in the Convention Center Project.
17	Almaden & Auzerias Lot	104	181	Closed in January 1986. The property was transferred to the Redevelopment Agency in January 1986 for use in the Convention Center Project.

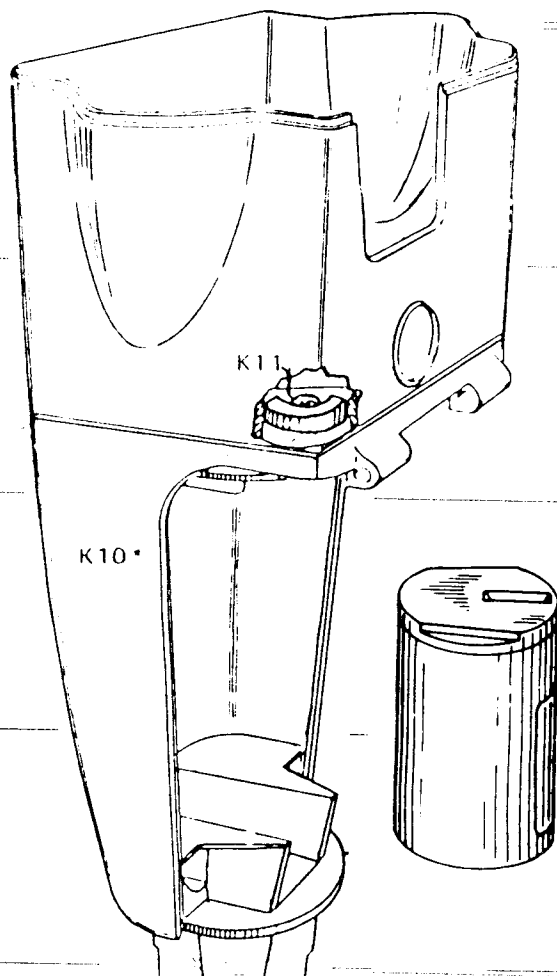
<u>Number</u>	<u>Description/ Location</u>	<u>Gross Revenues FY 1984-85 (000)</u>	<u>Number of Parking Spaces</u>	<u>Comments</u>
18	Vine & US 280 Lot	1	450	Leased to the County of Santa Clara for \$1,000 per year.
19	Block 6 Garage, Second and San Carlos	166	575	
20	Block 4 Lot Third and San Fernando	206	450	
22	SA-2A Lot, South Second St.	65	128	The City rents this lot from the Redevelopment Agency. The lot was closed for construction work from August 1985 through January 1986 and was re-opened with 300 spaces in January 1986.
23	Market & San Carlos Lot	1	200	This was rented from the Redevelopment Agency for parts of June and July 1985. The City operated this lot in June 1985 and returned it to the Redevelopment Agency in July 1985.

<u>Number</u>	<u>Description/ Location</u>	<u>Gross Revenues FY 1984-85 (000)</u>	<u>Number of Parking Spaces</u>	<u>Comments</u>
24	Block 3 Lot, San Fernando & Second St.	0	285	Opened in Sept- ember 1985.
	TOTALS	<u>\$2,266</u>	<u>4,566</u>	

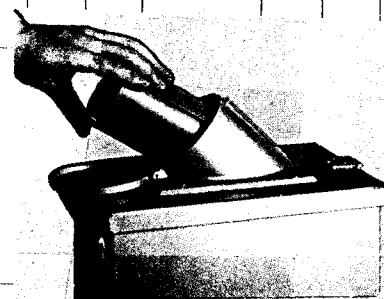
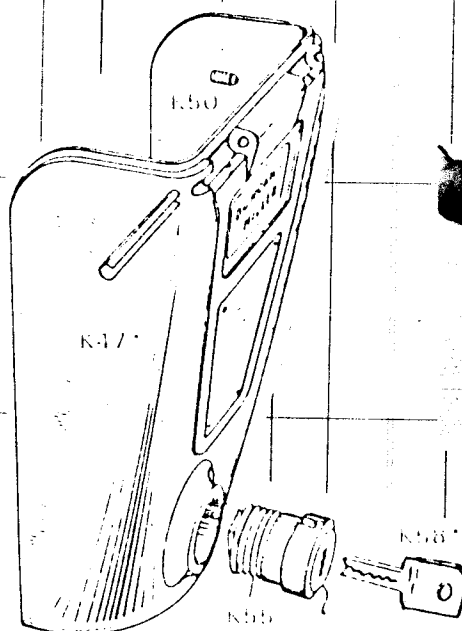
(Attachment D)

SEALED BOX COLLECTION SYSTEM**COLLECTIONS SYSTEMS:****1. Duncan's Original Patented Sealed Collection System—Optional**

Provides maximum revenue control. Requires only one sealed coin cartridge per meter. Filled sealed cartridge is removed from meter and inserted into receptacle mounted on locked collection cart or container. Cartridge is turned against key imbedded in receptacle, allowing coins to be activated and released into cart. When turned back and withdrawn, cartridge is automatically locked and same cartridge is put back into the meter.



Sealed Coin Box



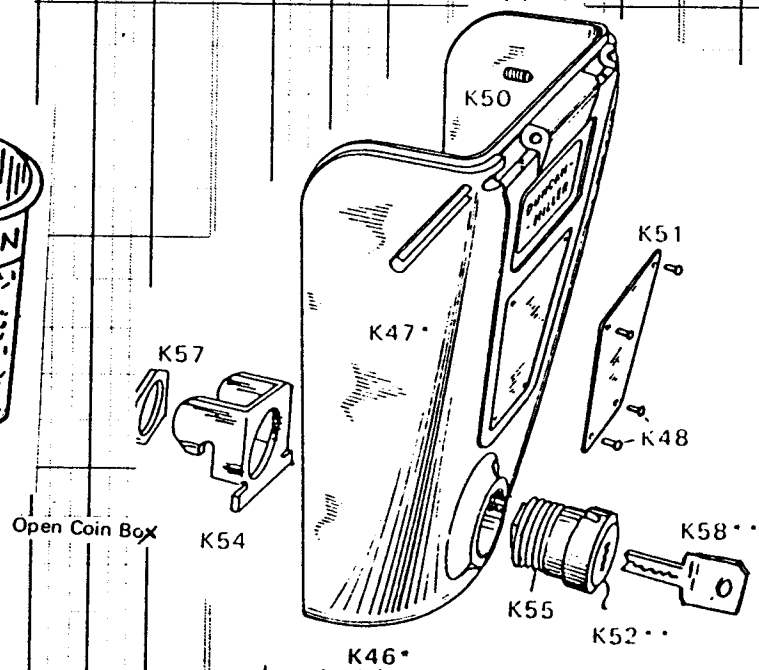
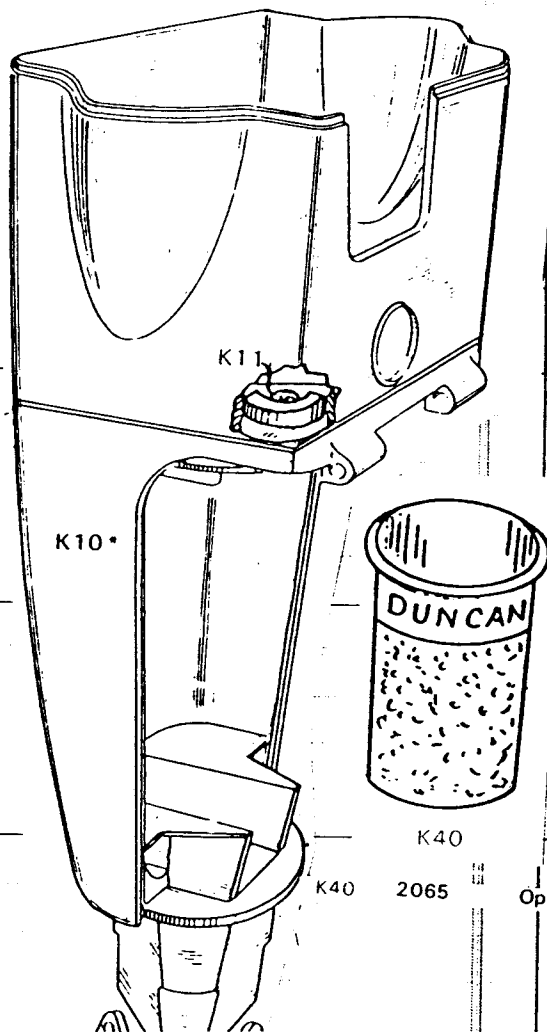
OPEN COIN BOX COLLECTION SYSTEM

(NOTE : CITY OF SAN JOSE USES THIS SYSTEM.)

COLLECTIONS SYSTEMS:

2. Open Coin Box

This collection method requires only one receptacle.
Filled coin box is removed from meter and emptied into
locked collection cart at meter location.

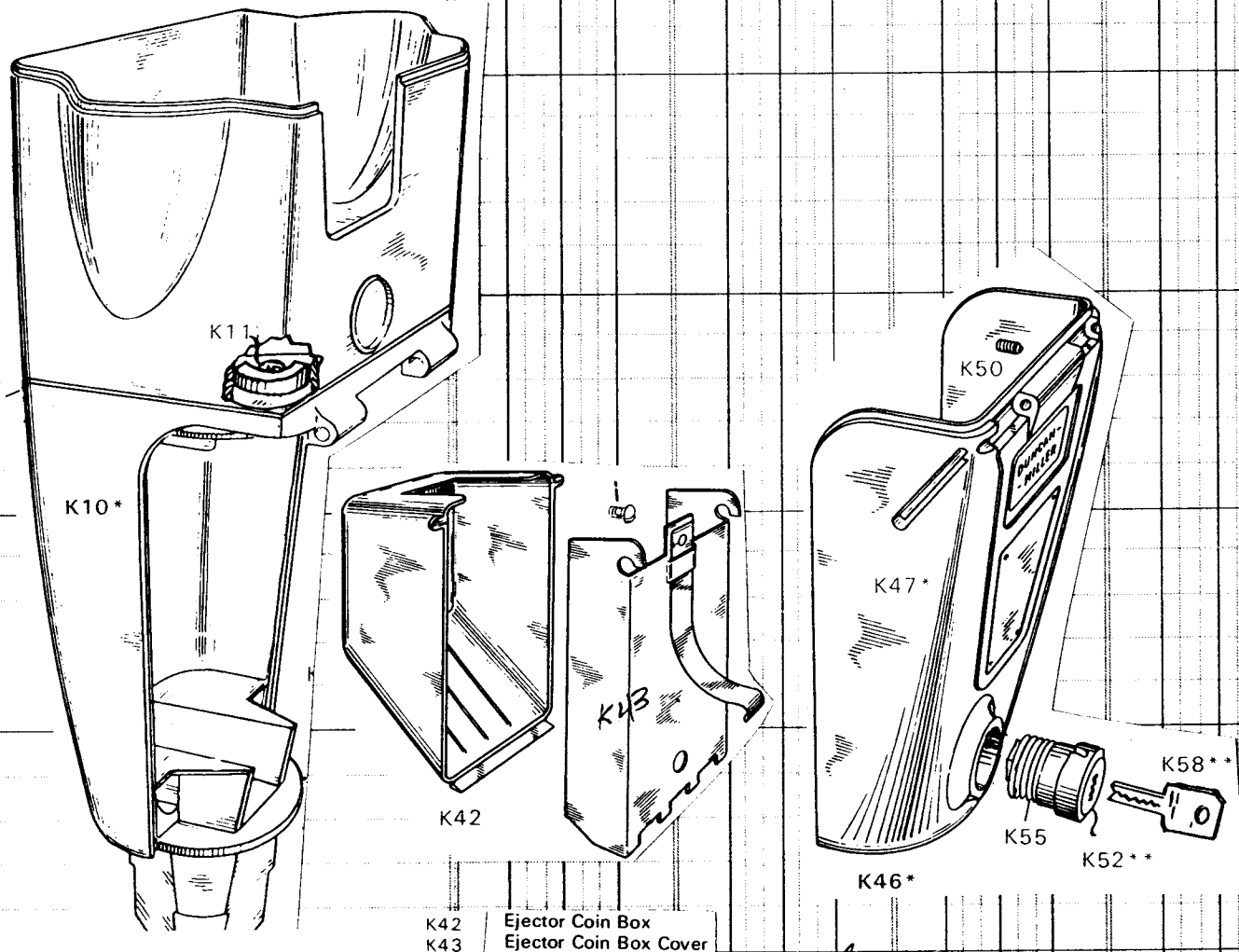


EJECTOR COLLECTION SYSTEM

COLLECTIONS SYSTEMS:

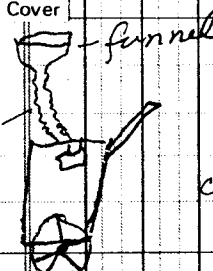
3. Ejector System

Ejector type method provides for instantaneous ejection of coins, by gravity, into locked collection cart when hinged door is opened.



K42 Ejector Coin Box
K43 Ejector Coin Box Cover

(ATTACHMENT G)



CITY OF SAN JOSE - MEMORANDUM

TO: GERALD E. SILVA
City Auditor

FROM: EVET ABT
Chief Deputy
City Attorney

SUBJECT: CITY'S PARKING OPERATIONS AUDIT

DATE: June 30, 1986

APPROVED

DATE

The City Attorney's Office has reviewed the audit of the City's parking operations, and has comments in the following areas:

I. Competitive Bids or Proposals.

On pages 36 and 37 of the report, the recommendation is made that AMPCO should be required to solicit competitive proposals for certain services, as the City is required to do pursuant to San Jose Municipal Code §4.13.040. While Section 7b of the AMPCO contract does not expressly require solicitation of proposals for services (instead, it refers to bids for supplies or equipment, as is required by Charter Section 1217), the City can require AMPCO to follow Municipal Code §4.13.040 under the contract by the following method.

Section 16 of the AMPCO contract provides the City with the ability to establish new, additional, or different rules, regulations, or instructions relating to maintenance or operation of the sites, charging or collection of fees, or procedures for payment of monies. Such new rules, regulations, or instructions can be adopted by following a procedure giving notice to AMPCO, and then giving AMPCO an opportunity to contest the rules or terminate the contract.

AMPCO has the option to terminate the contract if the new rule, regulation, or instruction is unlawful, prohibited by AMPCO's articles of incorporation, or commercially infeasible or arbitrary. It is highly unlikely, however, that AMPCO could terminate the contract on only the basis that it did not desire to secure competitive proposals for services.

As an alternative to the approach of adopting a new regulation pursuant to Section 16 of the contract, the City could seek an amendment to the contract which expressly requires compliance with Section 4.13.040.

TO: Gerald E. Silva, City Auditor
RE: City's Parking Operations Audit
June 30, 1986

ATTACHMENT H

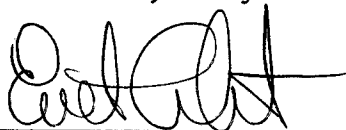
II. Discrepancies in Ticket Value.

At page 42, it is stated that AMPCO should be billed for gross shortages in ticket value rather than net shortages. Your office has reported that the practice followed by the City and AMPCO to date has been to allow AMPCO to tally the overages and shortages from all lots on a monthly basis, and to remit to the City only the net difference.

The contract provides in Section 8j that discrepancies in ticket value are to be paid to the City, and Section 21 provides that all monies collected by AMPCO are to be property of the City. Since the City and AMPCO have, according to the audit report, been tallying overages and shortages from all lots monthly and "netting" the differences, and since the contract is not very detailed as to how discrepancies in ticket value are to be remitted to the City, a change in the present practice can be accomplished by following the procedure specified in Section 16 of the contract, as discussed under Part I above. Alternatively, the contract can be amended to expressly provide the manner in which discrepancies in ticket value are to be handled.

JOAN R. GALLO, City Attorney

By



EVET ABT

Chief Deputy City Attorney

JRG:EA:ejh